



III. Market Access and Enforcement



Commission Recommendations: The Commission's report, *A Time to Act*, emphasized the need for active government enforcement of market competition as fundamental to the economic opportunity for farms of all sizes and scales. Access to fair and open markets for family farms is perhaps the single most influential factor in determining the future structure of the farm production sector.

A Time to Act recommended mandatory price reporting, a response to the Western Organization of Resource Councils (WORC) petition for rulemaking to prohibit captive supplies, consideration of Federal regulation of contracts, and increased staff capacity and expertise to conduct investigations and enforce fair market practices.

AGENCY HIGHLIGHTS

Foreign Agricultural Service (FAS)

■ The Market Access Program (MAP) uses funds from the USDA Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. The MAP forms a partnership between nonprofit U.S. agricultural trade associations, U.S. agricultural cooperatives, nonprofit state-regional trade groups, small U.S. businesses, and CCC to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing to benefit U.S. agricultural products. Rural American farmers and ranchers, as the primary suppliers of commodities, benefit from MAP.

MAP activities promote a wide variety of U.S. commodities in almost every region of the world. Agricultural cooperatives and small companies can receive assistance under the brand program. To conduct branded product production activities, individual food companies must provide at least 50 percent of funding. For generic promotion activities, trade associations and others must meet a minimum 10 percent match requirement. Beginning with implementation of the Farm Security and Rural Investment Act of 2002, funding for the MAP program will rise from \$100 million in FY 2002 progressively up to \$200 million by FY 2006.

Grain Inspection, Packers, and Stockyards Administration (GIPSA)

GIPSA promotes fair and competitive markets for livestock, meat, and poultry by administering the Packers and Stockyards Act of 1921 (P&S Act). The P&S Act requires prompt and full payment for livestock and poultry. Livestock buyers subject to the P&S Act are required to maintain a bond or bond equivalent to cover their purchases, and livestock auction markets, in



addition to the required bond, must establish and maintain a custodial (trust) account for payment to livestock sellers. Packer and poultry trusts established under the P&S Act give unpaid cash sellers of livestock and poultry growers and sellers first claim to trust assets in the event of nonpayment. The P&S Act and regulations also require subject entities to weigh livestock and poultry accurately.

GIPSA programs also help small farmers of grains and oilseeds by developing and maintaining grading standards and testing methodologies, and by developing and validating testing technologies needed to measure the quality and value of crops and promote open and fair price discovery. With technological advances, including biotechnology, diversifying quality, and value-added crops all having the potential for new market opportunities, GIPSA programs help farmers know the quality of their crops to negotiate a fair market price. GIPSA is also developing a process verification program to facilitate the marketing of specialty crops.

■ **Protecting Integrity:** Federal Grain Inspection Service protects small farmers by investigating alleged violations of the U.S. Grain Standards Act and Agricultural Marketing Act of 1946. These include investigating the use of improper procedures, deceptive or prohibited grain handling practices, false weighing, violating export grain requirements, among others. A violation can result in administrative, civil, or criminal action.

■ **Investigations, Enforcement, and Recoveries:** Packers and Stockyards Programs (P&SP) investigative and enforcement activities include Financial Protection, Trade Practices, and Competition. In the last 2 fiscal years, P&SP opened 3,179 investigations in these areas, closed 2,773 investigations, and recovered some \$64.4 million to producers. Further information can be found in GIPSA's annual reports on the Agency's Web site at www.usda.gov/gipsa/.

■ **Financial Protection:** P&SP protects small farmers by enforcing prompt payment provisions of the P&S Act, monitoring custodial (trust) accounts through reports and audits to make sure these accounts are maintained as required, analyzing bond and trust claims, and monitoring regulated entities for solvency and to ensure that these entities maintain adequate bond or bond equivalent for the protection of livestock sellers.

■ **Trade Practices:** P&SP protects small farmers by promoting fair business practices in the marketing and procurement of livestock, meat, and poultry, and determining if unfair or deceptive practices are occurring by auction markets, livestock dealers and order buyers, slaughtering packers, live poultry dealers, and meat dealers and brokers.

■ **Competition:** P&SP protects small farmers by enforcing provisions of the P&S Act that prohibit anticompetitive behavior. P&SP reviews and investigates conduct that fall into two broad categories: pricing and procurement practices, and market participation and behavior, including such issues as attempted restriction of competition, buyers acting in concert to purchase livestock, and price manipulation, among others.

■ **Rapid Response Investigations:** When P&SP determines that potentially serious situations exists that may cause imminent harm to livestock producers, rapid response teams are immediately deployed to investigate. In the last two fiscal years, nearly 100 rapid response



investigations have resulted in more than \$10 million recovered for the benefit of livestock producers and poultry growers.

■ **Swine Contract Library:** GIPSA publishes a Swine Contract Library that provides more transparency about swine contract terms and more access to market information for all market participants. The library provides payment and other contract provisions, by region, from contracts submitted by more than 30 firms operating over 50 plants that accounts for more than 95 percent of federally inspected swine slaughter. Producers and others have the ability to see contract terms including, but not limited to, carcass merit premium/discount schedules, non-carcass premiums/discounts, and contract lengths. The Swine Contract Library can be accessed from GIPSA's homepage at www.usda.gov/gipsa/.

■ **Cattle and Hog Assessment Report:** In June, 2002, GIPSA published its annual assessment of the cattle and hog industries as required by the Grain Standards and Warehouse Improvement Act of 2000 (P.L. 106-472). The report assesses the general state of the cattle and hog industries, describes changing business practices in those industries, and identifies market operations or activities in those industries that appear to raise concerns under the Packers and Stockyards Act. This report can be accessed from GIPSA's homepage at www.usda.gov/gipsa/.

■ **Statistical Report:** GIPSA publishes the Packers and Stockyards Statistical Report containing data on slaughtering packers, market agencies buying or selling on commission, and dealers buying and selling livestock for their own accounts. The report covering the 2000 reporting year was published in October 2002, and the report covering the 2001 reporting year was published in September 2003. The Statistical Report provides producers with information on the changes in the industry, and can be accessed from GIPSA's homepage at www.usda.gov/gipsa/.